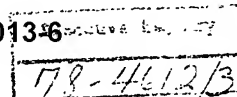




THE SECRETARY OF THE TREASURY
WASHINGTON 20220



78-581/c

MAR 14 1978

Treasury

Dear Stan:

Thank you for your February 17 letter expressing concern about the possibly adverse effects of any change to the present system of taxation of allowances paid to federal employees serving abroad.

As you may know already, on February 23 we presented to the House Ways and Means Committee the Administration's proposal for taxing Americans working in foreign countries. In our testimony we recommended that no change be made at this time to the tax-exempt status of allowances paid to federal employees stationed overseas.

We did recommend, however, that government agencies paying tax-exempt allowances to their overseas employees be required to report those allowances to the Treasury in a form that will enable us to determine the tax expenditure of government representation overseas. This information should aid the Administration and the Congress in making informed decisions in the future.

Sincerely,

W. Michael Blumenthal

The Honorable
Stansfield Turner
Director
Central Intelligence Agency
Washington, D.C. 20505

EB

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SECRET

EXECUTIVE SECRETARIAT
Routing Slip

OLC

TO:		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	DCA		X		
4	Compt		X		
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SUSPENSE

Date

Remarks:

D.

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16 Mar 78

Date